

SENATE BILL 51

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C8

2003 Regular Session
3lr0955

By: **Senators Exum, Astle, Britt, Conway, Della, Gladden, Grosfeld, Hooper, Kelley, Klausmeier, Lawlah, and Teitelbaum**

Introduced and read first time: January 17, 2003

Assigned to: Finance

Committee Report: Favorable

Senate action: Adopted

Read second time: February 19, 2003

CHAPTER _____

1 AN ACT concerning

2 **Business and Economic Development - Maryland Small Business**
3 **Development Financing Authority - Guaranty Fund**

4 FOR the purpose of authorizing the Maryland Small Business Development
5 Financing Authority to utilize its Guaranty Fund to guarantee up to a certain
6 amount the principal and interest of certain loans used to refinance existing
7 debt; and generally relating to the use of the Guaranty Fund of the Maryland
8 Small Business Development Financing Authority to guarantee loans.

9 BY repealing and reenacting, with amendments,
10 Article 83A - Department of Business and Economic Development
11 Section 5-1029
12 Annotated Code of Maryland
13 (1998 Replacement Volume and 2002 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article 83A - Department of Business and Economic Development**

17 5-1029.

18 (a) The Authority may utilize the Guaranty Fund to guarantee up to 80
19 percent of the principal of and interest on a long-term loan made by a financial
20 institution to an applicant only if:

1 (1) The applicant meets the requirements of § 5-1025 and has not
2 violated any provisions of § 5-1031 of this subtitle;

3 (2) The loan amount is not less than \$5,000 and the maximum amount
4 payable by the Authority under its guarantee does not exceed \$1,000,000;

5 (3) The purposes for which the loan is to be used include:

6 (i) Working capital;

7 (II) REFINANCING EXISTING DEBT OF THE APPLICANT;

8 [(ii)] (III) The acquisition and related installation of machinery or
9 equipment;

10 [(iii)] (IV) Necessary improvements to real property leased or owned
11 in fee simple by the applicant; or

12 [(iv)] (V) The acquisition of real property to be owned in fee simple
13 by the applicant if:

14 1. The real property is to be used in the operation of the
15 applicant's trade or business for which the loan and guarantee are sought; and

16 2. A lien is placed on the real property by the financial
17 institution or the Authority;

18 (4) The loan shall mature in not more than 10 years from the date of
19 closing of the loan; and

20 (5) The rate of interest on the loan is no greater than the rate of interest
21 determined by the Authority to be the monthly weighted average of the prime lending
22 rate, plus 2 percent, prevailing from time to time in the City of Baltimore on
23 unsecured commercial loans.

24 (b) A guarantee shall contain such terms and conditions as the Authority may
25 deem appropriate.

26 (c) (1) The Authority may not approve a guarantee pursuant to this section
27 unless the Authority considers the economic impact of the loan sought to be
28 guaranteed to be substantial.

29 (2) To determine the economic impact of a project, the Authority may
30 consider:

31 (i) The amount of the guarantee obligation;

32 (ii) The terms of the loan to be guaranteed;

33 (iii) The number of new jobs that will be created by the loan; and

1 (iv) Any other factor that the Authority considers relevant.

2 (d) In addition to the granting of a loan guarantee, the Authority may for the
3 benefit of an applicant provide an interest subsidy which may be for the life of the
4 loan, not to exceed 4 percent, to a financial institution issuing a loan guaranteed by
5 the Authority pursuant to this section which:

6 (1) Is payable quarterly;

7 (2) Shall not exceed the difference between the rate of interest requested
8 by the financial institution to make the loan, which rate shall not exceed the rate of
9 interest determined by the Authority to be the monthly weighted average of the prime
10 lending rate, plus 2 percent, prevailing from time to time in the City of Baltimore on
11 unsecured commercial loans, and the discount rate of interest employed by the
12 Federal Reserve Bank of the United States, the difference to be determined by the
13 Authority as of the date of closing of the loan for which the guarantee is given; and

14 (3) Is payable during the term of the loan, excluding any period in which
15 the Authority determines that the loan is in default.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
17 July 1, 2003.